

Message Text

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS IMMEDIATE

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EXDIS

E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: CHEESE AND COUNTERVAILING

REF: (A) BRUSSELS 951; (B) STATE 23547

SUMMARY: WE APPRECIATE HIJZEN STATEMENTS REPORTED REF (B).
PRIOR TO MILK MANAGEMENT COMMITTEE MEETING WEDNESDAY, FEB.
5, MISSION REQUESTED MAKE FURTHER APPROACH TO COMMISSION ON
WITHHOLDING CHEESE FROM MARKET, ADJUSTMENT OF PRICE GAP, AND
FURTHER DEFINITION OF NON-AGGRESSIVE MARKETING. END SUMMARY.

1. WE APPRECIATE STATEMENTS BY HIJZEN REGARDING OUTLINE OF
EC PROPOSAL REGARDING CHEESE SHIPMENTS TO U.S. MISSION
SHOULD ASSURE HIJZEN THAT WE DID NOT, BY STATEMENT MADE
PARA. 2 REF (B), WISH TO IMPLY THAT WE HAD ANY FORMAL AGREE-
MENT WITH COMMISSION, BUT RATHER WISHED INSURE THAT BOTH
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SIDES OPERATING FROM SAME BASIC SET OF FACTS.

2. AS STATED PARA. 9 REF (B) WE WOULD HAVE BEEN IN BETTER POSITION VIS-A-VIS INDUSTRY AND CONGRESS WITH MORE FACTS. HOWEVER, IT IS CLEAR FROM REF (A) THAT HIJZEN AWARE OF RISKS INVOLVED IN IMPLEMENTATION OF NEW EC SYSTEM WITHOUT FURTHER PRIOR PREPARATION OF U.S. INTERESTS.

3. MISSION IS REQUESTED TO MAKE FOLLOWING POINTS TO COMMISSION PRIOR TO MILK MANAGEMENT COMMITTEE MEETING, FEBRUARY 5:

(A) MISSION SHOULD STRESS TO COMMISSION THAT WE STRONGLY DOUBT INDUSTRY AND CONGRESSIONAL REPS WILL BE CONVINCED OF ADEQUACY OF NEW EC SYSTEM UNLESS WE ARE ABLE TO PRESENT IT IN TERMS OF PRICE GAPS. WE LEAVE IT TO EC COMMISSION TO PRESENT PROGRAM TO MEMBER STATES IN WHATEVER TERMS IT WISHES, I.E., RESTITUTIONS. WE BELIEVED THIS POINT FIRMLY ESTABLISHED AT JANUARY 21-22 POLICY DISCUSSIONS, PARTICULARLY SINCE COMMISSION REPS PROVIDED EXAMPLE OF GAP CONTEMPLATED FOR BLUE MOLD. LENG MADE SAME POINT HERE. WHEN DISCUSSING RESTITUTION ADJUSTMENTS NECESSITATED BY SHIFT IN DOLLAR VALUE, HE NOTED THIS SHOULD NOT CONCERN U.S. SINCE WE WOULD BE INTERESTED IN AND PRESENT PROPOSAL IN TERMS OF PRICE GAPS. HIJZEN ALSO FOLLOWED SAME LINE IN HIS STATEMENT REPORTED PARA. 4B (REF A). WE MUST URGE THAT REDUCTIONS IN RESTITUTION PAYMENTS BE CONVERTED TO ANTICIPATED PRICE GAPS FOR VARIOUS CHEESES WHEN GIVEN TO US FOR PRESENTATION HERE. IF WE ARE UNABLE TO CARRY ON DISCUSSIONS WITH U.S. INDUSTRY AND CONGRESSIONAL REPS IN PRICE GAP TERMS, WE DOUBT THAT WE WILL BE ABLE TO RESPOND TO EC ACTION IN FLEXIBLE MANNER DESIRED.

(B) MISSION SHOULD ALSO CONFIRM WITH COMMISSION THAT MODERATE ADJUSTMENTS IN RESTITUTION LEVELS TO MAINTAIN ANTICIPATED PRICE GAPS CAN BE MADE QUICKLY BY COMMISSION AS A RESULT OF CONSULTATION WITH U.S. IT IS EVEN POSSIBLE THAT SOME ADJUSTMENT MAY BE REQUIRED DURING INITIAL TWO WEEK PERIOD LINKED TO CVD DETERMINATION FOLLOWING REINSTITUTION OF RESTITUTION PAYMENTS AND IT WILL BE LIMITED OFFICIAL USE

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OF UTMOST IMPORTANCE TO U.S., IF IT IS TO AVOID COUNTERVAILING ACTION, TO DEMONSTRATE TO U.S. INDUSTRY AND CONGRESS THAT CONSULTATIONS ARE EFFECTIVE AND DO PRODUCE QUICK RESULTS. WE ARE BASING OUR POINT HERE ON OUR CLEAR UNDERSTANDING THAT EC DOES NOT WISH CREATE PROBLEMS OR POSE UNFAIR COMPETITION TO U.S. INDUSTRY.

(C) DURING TECHNICAL TALKS JAN. 15 AND AGAIN DURING POLICY DISCUSSIONS JAN. 21-22, MALVE AND RABOT REFERRED TO POSSIBILITY OF USING STORAGE OF CERTAIN CHEESE AS MEANS OF CONTROLLING SHIPMENTS TO U.S. MARKET. AS RESULT WE MADE THIS AN ELEMENT OF OUR BRIEFING FOR INDUSTRY AND CONGRESSIONAL REPS JAN. 30. HIJZEN STATEMENT, PARA. 4C (REF A), WOULD SEEM TO PRECLUDE THIS POSSIBILITY. WHILE WE UNDERSTAND THAT COMMISSION WOULD PREFER MAKE ADJUSTMENT

THROUGH RESTITUTION LEVELS, WE WOULD LIKE TO CONFIRM POINT THAT ABILITY TO USE STORAGE ALSO EXISTS. MISSION REQUESTED TO SEEK CLARIFICATION ON THIS POINT FROM EITHER MALVE OR RABOT. IN THIS REGARD, WE ONLY WISH STATE EC COULD USE SYSTEM, NOT THAT IT WOULD.

(D) MISSION ALSO REQUESTED POINT OUT TO HIJZEN THAT, WHILE WE APPRECIATE HIS UNDERTAKINGS REGARDING NON-AGGRESSIVE MARKETING, WE HAVE TO HAVE SOME FIXED POINT AGAINST WHICH TO JUDGE PERFORMANCE IN THIS REGARD. WE WILL THEREFORE BE LOOKING AT ESTABLISHED LEVELS OF CHEESE SHIPMENTS FROM EC IN PAST AND AT DEMAND CONDITIONS IN U.S. IN MAKING ASSESSMENT OF EC MARKETING PRACTICES.

4. WE WILL ALSO BE MAKING POINTS PARA. 3 WITH LENG. KISSINGER

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